

Message Text

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ACTION NEA-13

INFO OCT-01 ISO-00 AID-20 CIAE-00 COME-00 EB-11 FRB-02

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FM AMEMBASSY ATHENS

TO SECSTATE WASHDC 2341

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E.O. 11652: N/A

TAGS: EGEN, GR

SUBJECT: ALTERNATE MINISTER OF COORDINATION AND PLANNING

ELIAS BALOPOULOS COMMENTS ON ECONOMY

1. DURING AMBASSADOR'S CALL JANUARY 30, ALTERNATE MINISTER
BALOPOULOS MADE FOLLOWING COMMENTS OF GENERAL INTEREST:

2. ECONOMIC PROBLEMS - (A) MAJOR PROBLEM WILL BE BALANCE OF PAY-
MENTS. IMPORTS WILL REMAIN RELATIVELY FREE OF CONTROLS AND MAY
EVEN DECLINE BECAUSE OF REDUCED DEMAND AND SOME RUN-DOWN IN
UNUSUALLY HIGH INVENTORIES IN GREECE. NEVERTHELESS, GREECE WILL
HAVE A BALANCE OF PAYMENTS DEFICIT IN 1974 OF ABOUT \$1 BILLION
WHICH WILL REQUIRE SUBSTANTIAL FOREIGN BORROWING AT TIME WHEN
MANY OTHER COUNTRIES WILL BE FACING SIMILAR PROBLEMS BECAUSE OF
HIGHER PETROLEUM COSTS.

(B) AUSTERITY MEASURES OF GOG (CREDIT SQUEEZE, CUTBACKS IN
CONSTRUCTION LOANS, DEFLATIONARY BUDGET) WILL HELP MAKE
INFLATION LESS OF PROBLEM IN 1974, BUT WILL PROBABLY CAUSE SOME
INCREASE IN UNEMPLOYMENT. WAGES WILL BE INCREASED SUBSTANTIALY
DURING YEAR BUT ARE EXPECTED HAVE LESS IMPACT ON PRODUCTION
COSTS THAN WILL HIGHER PRICES FOR FUELS AND RAW MATERIALS. GNP

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SHOULD GROW AT ABOUT 6 PERCENT IN REAL TERMS (AS COMPARED WITH

10 PERCENT IN 1973), DEPENDING ON HOW WELL EUROPEAN ECONOMIES DO, AND ESPECIALLY PERFORMANCE OF WEST GERMANY.

3. U.S. HOTEL PROJECTS - BALOPOULOS SAID HE WILL ARRANGE EARLY APPROVAL FOR INTERCONTINENTAL AND LOEWS HOTEL PROJECTS ON ATHENS DELTA PROVIDED THE CONTRACTORS WILL NOT NEED DOMESTIC BANK CREDITS DURING 1974.

4. COMMENT - BALOPOULOS, WHO IS KNOWLEDGEABLE ECONOMIST, APPEARS TO HAVE LEARNED FROM PAST MISTAKES AS HE FREELY ADMITTED FAILURE OF SOME OF PAST POLICIES WITH WHICH HE WAS ASSOCIATED, SUCH AS EFFORTS TO ADMINISTER PRICES AND TO FORCE FARMERS TO SELL HOARDED CROPS. HIS ABILITY TO DEAL WITH INFLATION AND BALANCE OF PAYMENTS PROBLEMS AGAINST BACKGROUND OF BUSINESS AND POLITICAL UNCERTAINTY WILL BE FULLY TESTED IN PERIOD IMMEDIATELY AHEAD.
TASCA

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